GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

STARRED QUESTION NO:22
ANSWERED ON:13.08.2007
RISE IN PRICES
Jha Shri Raghunath;Thummar Shri Virjibhai

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the prices of essential commodities including wheat, rice, pulses, edible oil vegetables, sugar etc. continue to spiral up despite the steps taken by the Government to contain the same;

(b) if so, the details thereof indicating the prices of different essential commodities alongwith the extent of rise registered during the last six months;

(c) the reasons attributed to the rise in prices;

(d) whether the Government has conducted any study to ascertain the relationship between forward trading and price rise;

(e) if so, the details and outcome thereof;

(f) the steps taken to check the rising prices;

(g) whether the farmers are unable to reap benefits out of this price rise; and

(h) if so, the reasons therefor and the steps being taken to remedy the situation?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SHRI SHARAD PAWAR)

(a) to (h) A Statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (h) OF LOK SABHA STARRED QUESTION NO. 22 FOR 13/08/2007 REGARDING RISE IN PRICES

(a): Prices of foodgrains, especially of wheat, pulses and edible oil had registered increase during the previous year (2006-07). Government has taken a number of measures to contain the prices of essential commodities, as a result of which, the prices of Wheat, Rice, Atta, Gram dal, Tur dal, Sugar and Tea are by and large stable. Prices of Mustard Oil show a hardening trend. Prices of potato and onion have also .hardened since last month. Groundnut oil prices have increased due to a decline in domestic production.

(b): The details of prices of different essential commodities along with the extent of rise registered during the last six months is given in Table below:

Commodity	Retail price at Delhi (Rs per kg)					Variation
	7.8.07					
	7.2.07					
	As on 7.8.07	Last week	Last fort- night	Last Three months	Six months back on	
	31.7.07				Back on	
	24.7.07	7.7.07	7.5.07	7.2.07		
Rice	15.00	15.00	15.00	15.00	15.00	0.00
Wheat	12.00	12.00	12.00	11.00	12.00	0.00
Gram dal	33.00	34.00	33.00	33.00	33.00	-3.00
Tur dal	39.00	40.00	39.00	39.00	39.00	3.00
Atta	13.00	13.00	13.00	12.00	13.00	0.00
Sugar	16.00	16.00	16.00	17.00	16.00	-3.00
Groundnut oil	110.00	107.00	107.00	103.00	101.00	94.00	16.00
Mustard oil	60.00	60.00	60.00	60.00	56.00	4.00
Vanaspati	60.00	59.00	59.00	57.00	57.00	56.00	4.00
Tea (Loose)	106.00	106.00	107.00	106.00	106.00	109.00	-3.00
Milk	19.00	18.00	18.00	18.00	18.00	18.00	1.00

Potato 13.00 13.00 13.00 12.00 9.50 6.00 7.00
Onion 14.00 14.50 14.00 13.00 10.00 20.00 -6.00
Salt 9.00 9.00 9.00 9.00 8.00 8.00 1.00

(c): The basic reason for rise in prices of above food articles is demand and supply mismatch. Demand for these commodities is growing on account of increase in population and income. This has coincided with hardening of international prices at the same time. Additional factors viz., changes in consumption pattern and seasonal factors also have had an impact on the domestic prices of these commodities.

(d): The Government has set up an Expert Committee under the Chairmanship of Prof Abhijit Sen, Member, Planning Commission to examine as to whether and to what extent futures trading has contributed to price rise in agricultural commodities.

(e) The report of Committee is awaited.

(f): Government has taken various measures to contain prices of essential commodities. Some of the important measures are as under:

(i) State Trading Corporation floated a global tender on 26 June 2007 for import of 10 lakh Mts of wheat and will import now 5.11 lakh Mts (+/-5%) during 2007-08.
(ii) To facilitate imports by private parties, period of validity of import of wheat at zero duty has been extended up to 31.12.07.
(iii) Government decided to release in February and March, 2007, upto 4 lakh tonnes of wheat under the Open Market Sale Scheme (Domestic).
(iv) Export of wheat has been banned w.e.f. 09.02.2007. The ban will remain in force up to 31.12.2007. The Central Issue Prices of wheat and rice have not been revised since 1.7.2002 for APL and BPL, while the Central Issue Prices for AAY has not been revised since the launch of the scheme in December 2000. The Central Issue Prices are as under:-

(Rs. per quintal)
APL BPL AAY

Wheat 610 415 200

Rice(Grade `A`) 830 565 300

(v) Customs duty on import of pulses was reduced to zero on June 8, 2006 and the period of validity of import of pulses at zero duty has been extended from 31.3.07 to 1.8.2007 and further to 31.3.09.
(vi) A ban was imposed on export of pulses with effect from June 22, 2006 (except export of kabuli chana w.e.f. 7.3.07). The ban on exports of pulses was initially upto 31.3.07 and was further extended upto 31.3.2008, vide DGFT Notification dated 9.3.2007.
(vii) NAFED, PEC Ltd, MMTC and STC would target to import 1.5 Million Metric Tonnes (MMT) of imports of pulses during 2007-08. Out of the total contracts of 10.40 lakh tonnes made by these agencies, 2.43 lakh tonnes have arrived up to 31.7.07.
(viii) Import duty on palm group of oil was reduced initially by 10 percentage points in August 2006 and by a further 10-12.5 percentage points in January 2007.
(ix) With effect from 13.4.07, the import duty on palm group of oils has been further reduced by ten percentage points, making the import duty on crude palm oil (CPO) at 50% and that on refined palm oil at 57.5%. The Government has also withdrawn the 4% additional countervailing duty on all edible oils. With effect from 23.07.07, the import duty on palm group of oils has been further reduced by five percentage points, making the import duty on crude palm oil (CPO) at 45% and that on refined palm oil at 52.5%. As a consequence, import duty on crude palm oil has been brought down to 45% from the level of 80% prior to 11.8.2006.
(x) With effect from 23.07.07, import duty on crude sunflower oil reduced from 50% to 40% and refined sunflower oil from 60% to 50% . Import duty on sunflower oil was reduced earlier by 10 percentage points in January 2007 and further by 15 percentage points in March 2007.
(xi) With effect from 23.07.07, import duty on Soya bean oils reduced from 45% to 40%.
(xii) Ban on export of skimmed milk powder w.e,f.9,2.2007 valid upto 30.9.2007.
(xiii) Steps were taken by Reserve Bank of India to reduce liquidity in the system by increasing the cash reserve ratio and repo rates.
(xiv) Reduction in retail prices of petrol by Rs. 2 per litre and diesel by Rs. 1 per litre both in November 2006 and in February 2007.
(xv) As a measure of abundant precaution, Forward Markets Commission (FMC) has on 23.01.07, directed the three National Exchanges, namely (a) Multi Commodity Exchange of India Ltd., (b) National Commodity & Derivatives Exchange Ltd., (c) National Multi Commodity Exchange of India Ltd., to delist all contracts of tur and urad and to close out all outstanding positions in all Tur and Urad contracts at the closing price on 23.01.07. FMC has also stated that no further contract shall be launched without its prior approval and permission already granted to launch contracts in Urad and Tur stands withdrawn.
(xvi) FMC has on, 27.2.2007, directed all the three National Exchanges that no new futures contracts in wheat and rice shares be launched. In the letter to the Exchanges, FMC has stated that permission already granted for yet to be launched contracts stands revoked and that in respect of running contracts in these commodities no new position should be allowed to be taken. Only squaring up of positions should be allowed.
(xvii) To contain volatility in the futures prices of wheat, pulses, etc. Forward Markets Commission (FMC) has taken required regulatory measures such as imposition of limits on open position, reduction in limits on daily price fluctuations and imposition of additional/special margins.
(xviii) An Expert Committee has been set up under the chairmanship of Shri Abhijit Sen, Member, Planning Commission to study impact, if any, of the trading in forward markets on the prices of the commodities.
(xix) Keeping in view the prevailing price situation, the Central Government had issued a Central Order dated 29.08.2006 under the

Essential Commodities Act, 1955 to enable the State Governments to invoke Stock Limits in respect of wheat and pulses for a period of 6 months. By virtue of this Order, the State Governments /UT Administrations have been empowered to take effective action to bring out the hoarded stock of these items to ensure their availability to the common people at reasonable prices. Government has, on 27.2.07, extended the validity of the Central Order by another six months.

(g): To give the farmers an opportunity to get remunerative prices based on market forces, the Government have framed Model APMC Act and circulated to all State Governments/ UTs to amend their present APMC Act on its lines. 15 States have amended their APMC Acts and partial amendments have been made in 4 States. The Bihar Government has repealed their Bihar APMC Act whereas Tamil Nadu provides provisions for reforms. Rest of the States are in the process of bringing amendments to their respective APMC Acts. According to the amended Acts, the farmer can sell directly to the purchaser without necessarily bringing it to the Mandi. Many farmers have taken advantage of this choice to.get remunerative prices in line with market forces.

(h): In view of the answer to (g) above question does not arise.